

Bachus Statement During Financial Regulatory Reform Hearing

September 23, 2009

WASHINGTON - Congressman Spencer Bachus, the top Republican on the Financial Services Committee, made the following statement today during the Full Committee hearing entitled, "The Administration's Proposals for Financial Regulatory Reform."

"Mr. Chairman, thank you for holding today's hearing. I would also like to thank Treasury Secretary Geithner for returning to our Committee to continue discussing the President's plan to further regulate the financial services industry.

"The Administration has presented Congress with a far-reaching regulatory reform proposal which has, to date, failed to achieve anything approaching consensus, either on Capitol Hill or among the Federal regulators who would be responsible for implementing it.

"The lesson that we learned from the events that led to the financial crisis and subsequent government actions is that our 1930s regulatory system is not up to the task of monitoring the safety and soundness of complex financial firms in a 21st century economy. We need smarter regulation, not necessarily more regulation. We need better enforcement of existing regulation, not another layer of regulation or more government bureaucracy. We do not need government policies that encourage harmful business practices.

"Unfortunately, the Administration's regulatory reform plan continues the pattern that we have also seen with health care and energy of big-government solutions that replace individual choice with bureaucratic mandates. Their plan establishes the Federal Reserve as a "systemic risk" regulator despite the fact that the Fed has historically done a poor job of identifying and addressing systemic risks before they become crises. It tasks the Fed with identifying a class of "systemically significant" firms that the market will view as "too big to fail," and then compounds this mistake by creating a so-called "resolution authority" that will promote continued taxpayer-funded bailouts of these institutions, rather than actually unwinding and shutting down their operations. And finally, the Administration plan would establish a massive new government bureaucracy known as the Consumer Financial Protection Agency, which consumers will ultimately pay for, on top of the regulatory patchwork that currently exists.

"Mr. Chairman, my deep-seated reservations about the Administration's financial reform proposals -which again I point out are shared by Members on both sides of the aisle and many of the regulators themselves -should not be interpreted as a rejection of common sense reform. Although Republicans take a different path than the Administration, Republicans are not saying no to reform. Republicans are saying no to bail outs and no to the "more of the same approach" of misguided government regulations and interventions which helped bring about this crisis in the first place.

"Republicans have offered a clear alternative to the Administration's approach to reform. The House Republican plan promotes effective consumer protection by streamlining and consolidating the functions of four bank regulatory agencies, including consumer protection, into a unified agency. To end the bailouts, the House Republican plan directs all failed non-banks to an enhanced bankruptcy process that will force creditors and counterparties of those firms to bear the costs of that failure, rather than sticking taxpayers with the tab. To promote sound monetary policy, the Republican plan relieves the Fed of its current supervisory duties and prohibits the Fed from bailing out any specific financial institution.

"Mr. Chairman, I look forward to working with my colleagues and Secretary Geithner in the months ahead on a regulatory reform plan that addresses the need for smarter regulation, not more regulation, not more government bureaucracy, and not more incentives to engage in harmful business practices."

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